

RESERVE POLICY

Subject: Establish/Maintain Reserves

Reference: Finance

Code: 15

Date Approved: February 08, 2022

Motion#: 067/08/02/22


Replaces: 1076/10/11/15

The County of Northern Lights is committed to ensuring that reserves are established, maintained, and sufficiently funded so that aging infrastructure can be replaced, future capital projects can be undertaken, and the municipality is financially prepared for unforeseen contingencies.

The County of Northern Lights proposes to establish, maintain, and fund reserves through Council approved operating budgets, capital plans and in accordance with the capital replacement policy.

Signed:  _____

Chief Elected Official

Signed:  _____

Chief Administrative Officer

PROCEDURE:

Operating Reserves:

A. **Establishing**

Operating reserves are established by Council resolution on an individual basis stating the purpose of each reserve which includes:

- funding of operating expenditures as authorized by the County of Northern Lights Council.

B. **Transfers To (Funding)**

Resolutions of Council are required to transfer amounts from the unrestricted surplus to operating reserves unless specifically budgeted. Unexpended revenue collected in the current year for a specific purpose may be transferred from the unrestricted surplus to operating reserves without council approval. Examples of these types of revenue include the following:

- Offsite levies.
- Prepaid local improvement levies.
- Overlevies of hospital and school requisitions.
- Public Transportation Operating Grant Reserves.

C. **Transfers Out**

Except for the *Financial Stabilization Reserve*, which is used to fund temporary cash shortages, resolutions of council are required to transfer funds from operating reserves to surplus in order to match expenditures incurred in the current year. Transfers from operating reserves to surplus may be made without resolution to match current expenditures made for a specific purpose included in the operating budget, and for which revenue was previously raised.

D. **Accumulated Deficit**

Where the County of Northern Lights has an accumulated deficit as at the end of a fiscal year, an amount equal to the deficit will be

transferred without council approval from operating reserves to bring the accumulated deficit to nil.

Capital Reserves:

A. Establishing

Capital reserves are established by Council resolution on an individual basis for the purpose of funding future capital expenditures.

B. Transfers To (Funding)

Interest earned on capital reserves may be transferred from the unrestricted surplus to the capital reserves on a proportionate basis without Council approval. Transfers to capital reserves may also include general appropriations of surplus, not necessarily identifiable with specifically planned capital or operating activities. All such transfers are approved by resolution of Council. Approved budget transfers to a capital reserve may be performed by the Director of Finance without Council resolution.

C. Transfer From

Transfers from Capital Reserves to fund specific capital expenditures of the current year require a resolution unless specifically budgeted. Only amounts up to the amount identified within the Capital Budget may be transferred without council resolution.